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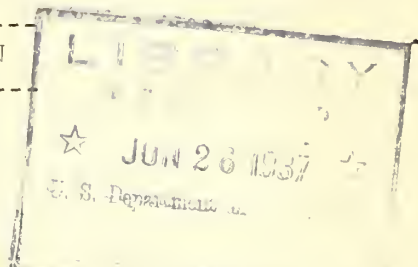
UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

HS-8

June 18, 1937

THE HOG SITUATION

Summary



If corn crop prospects continue favorable, hog slaughter during the period from June through September probably will be considerably smaller than in the corresponding period last year, the Bureau of Agricultural Economics states. This decrease in slaughter, however, will be about offset by the larger storage stocks of hog products on hand at the beginning of June than a year earlier. Consumer demand for hog products is not expected to change much during the summer months, and for the period as a whole demand conditions probably will be somewhat more favorable than they were last summer.

It is expected, therefore, that hog prices during the June - September period will average higher than in those months last year, when the Chicago average price was about \$9.90. Within this period it is likely that hog prices will reach a level higher than that reached in late May.

Hog prices rose sharply during May, reaching the highest level in nearly 8 years. The rise in prices during the month was brought about chiefly by a marked decrease in hog marketings. Inspected hog slaughter in May was the smallest for that month in more than 40 years. Storage stocks of hog products were reduced materially during May, although at the end of the month they were still considerably larger than those of a year earlier.

The decrease in hog slaughter during May reflected the earlier-than-usual marketings of fall pigs in March and April from some areas, and also the delay in marketings of such pigs from other areas. Because of the short supplies and high prices of feed grains, some producers, especially in the Western Corn Belt, apparently are carrying fall pigs on pasture for finishing on the new crop of small grains in the late summer and early fall.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- Hog prices advanced steadily from late November to early January, when the weekly average price of hogs at Chicago reached \$10.41. Prices declined during the remainder of January but were fairly steady from February through April, fluctuating around a level slightly above \$10. Because of the drought of 1936, corn prices thus far in the 1936-37 marketing year have been high in relation to hog prices. In late March and early April the hog-corn price ratio was near the lowest on record for this season of the year. Storage stocks of hog products increased greatly from October to February, and have been much above average in recent months.

Hog prices rise sharply in May

After little change from January through April, hog prices rose sharply during the second and third weeks of May. In the week ended May 22, average price at Chicago reached \$11.27. Excluding the processing tax in 1935, when prices also were relatively high, this was the highest weekly average at the Chicago market since July 1929. In late April, before the advance got under way, the Chicago weekly average price was \$10.04. The rise in prices during May was brought about by a rather marked curtailment in hog marketings during the month. In early June prices were below the peak of late May, but they were still considerably higher than in late April.

Seasonal price movement unusual

Thus far in 1937, hog prices have moved almost opposite to the usual seasonal pattern. In 29 out of the last 37 years hog prices in March have averaged higher than in January, but this year no advance occurred from January to March. Following the drought of 1934, hog prices rose sharply in the first 3 months of 1935 as hog slaughter was reduced materially. With the 1936 drought almost as severe as that of 1934, an advance in hog prices in early 1937 similar to that in early 1935 apparently was expected by producers and trade interests, but no advance occurred until about mid-May. The rise in May this year marked the seventh time in the present century in which prices in May were substantially higher than in April.

The chief reasons for the lack of an advance in hog prices during the period from late February to April 1937 are to be found in the supply situation for hogs and hog products. Marketings of hogs did not decrease so much from December through March 1936-37 as they did during that period in 1934-35, or as they usually do. In addition storage stocks were much larger last winter than in 1934-35 and much above average. The larger slaughter supplies and increased stocks apparently were the major factors which caused the trend in prices thus far this year to be different from that of 2 years earlier and from most other years.

Hog slaughter small in May

In May, for the first time in the present hog marketing year which began last October, inspected hog slaughter was smaller than in the corresponding month a year earlier. Such slaughter in May, totaling 2,099,000 head, was 25 percent smaller than in April and was the smallest for the month in more than 40 years. Ordinarily slaughter in May is considerably larger than in April, since fall pigs usually are marketed in largest volume in late May and early June. The reduced slaughter in May this year reflects to a considerable extent the earlier-than-usual marketings of fall pigs from some sections and also the delay in marketings of such pigs from other areas.

The short supplies of feed grains and the unfavorable hog-corn price ratio caused hogs from the spring pig crop of the preceding year to be marketed much earlier than usual last fall and winter, and also caused marketings of fall pigs to begin earlier than usual this spring. With early marketings of spring pigs, a considerable decrease in hog slaughter would have occurred from mid-February to April, but this was prevented by the early marketings of fall pigs from some areas.

Market prices of cash corn were about steady during May but declined somewhat in early June. The average price of No. 3 Yellow corn at Chicago in May was \$1.35 per bushel, more than twice as high as that of a year earlier. The average price of corn received by farmers on May 15 - \$1.21 - was slightly higher than a month earlier. On the basis of prices received by farmers about the 15th of the month, the hog-corn price ratio in May in the North Central States was 8.0, which was slightly higher than in April but much lower than average and considerably lower than a year earlier.

Wholesale prices of fresh pork advanced sharply during the first 3 weeks of May. Prices of cured pork and lard also strengthened. In late May prices of most cuts of fresh and cured pork were at the highest level reached thus far in the current hog marketing year, which began last October.

Stocks of pork and lard reduced in May

Storage holdings of both pork and lard were reduced sharply in May with the marked decrease in hog slaughter during the month. Stocks of pork on June 1, totaling 664 million pounds, were 12 percent smaller than on May 1, but they were about 50 percent larger than those of a year earlier. Stocks of lard on June 1, amounting to 195 million pounds, were about 7 percent less

than on May 1, but they were nearly twice as large as those of a year earlier and were the largest for June 1 on record. Stocks of pork and lard on June 1 were larger than those of a year earlier by the equivalent of the products obtainable from about 2 million hogs of average market weight.

Although stocks of hog products are still considerably larger than a year earlier, the difference is not so pronounced as in the earlier months of 1937. If slaughter supplies are reduced in the next few months to the extent that now seems probable, it is not expected that the storage supplies during the summer will prove to be burdensome. By the end of the current marketing year (September 30, 1937) it seems quite possible that stocks of pork and lard will be reduced considerably from present levels and will be no larger than average.

Storage holdings of pork and lard on June 1, average 1932-36,
annual 1935-37 and May 1, 1937

Item	: June 1 : average : 1932-36	: June 1, : 1935	: June 1, : 1936	: May 1, : 1937	: June 1, : 1937
	: 1,000	1,000	1,000	1,000	1,000
	: pounds	pounds	pounds	pounds	pounds
Pork:					
Frozen	: 162,209	147,124	96,545	316,670	260,791
Dry salt, cured and in	:				
process of cure	: 96,817	65,661	85,903	91,068	84,821
Pickled, cured and in	:				
process of cure	: 351,378	290,628	258,170	348,616	318,338
Total	: 610,404	503,413	440,618	756,354	663,950
Lard	: 122,175	89,986	99,656	209,444	195,077
	:				
	:				

1/ Preliminary.

Pork and lard exports increase in April

Exports of both pork and lard in April were larger than in March, but they continued at a level far below the average for the 5 years preceding 1935. Total exports of pork in April, amounting to about 5-1/2 million pounds, were about a million pounds larger than in the corresponding month of 1936. Most of the increase in exports of pork in April was in shipments of hams and shoulders to the United Kingdom, the chief export outlet for these products.

Lard exports in April, totaling 8.3 million pounds, were 1 million pounds larger than in March, but they were more than a million pounds smaller than in April 1936. Exports of lard to Great Britain increased from March to April, but shipments to Cuba were reduced. For the period from October through April 1936-37, exports of lard amounted to about 59 million pounds, compared with 57 million pounds in the same period of 1935-36 and 322 million pounds in 1933-34. Pork exports from October through April 1936-37 totaled 34 million pounds, about the same as those of a year earlier, but for the same period in 1933-34 they totaled 37 million pounds.

Pork imports reduced in April

Imports of pork in April totaling about 5.2 million pounds, were about 2 million pounds smaller than in March and were the smallest for any months since last December. Pork imports in April, however, were more than 2 million pounds larger than in the corresponding month of 1936.

As indicated in earlier issues of this report, imports of pork in recent months have been materially larger than in any previous period of similar length. The aggregate quantity of such imports, however, is still very small in relation to the quantity of hog products produced in this country. For the period from October through April imports of pork totaled about 38 million pounds. Imports of pork and live hogs during this 7 months period were equivalent to about 390,000 hogs of average market weight. Inspected hog slaughter in the United States from October through April amounted to 24,669,000 head, or nearly 4 billion pounds in terms of dressed weight.

RELATION BETWEEN CORN AND WHEAT PRICES

Recent and prospective changes in wheat and corn prices indicate that wheat may be a cheaper feed for livestock than corn during the coming summer. On May 15, the United States average price received by farmers for corn was \$1.21 per bushel compared with \$1.18 for wheat. In early June, July futures for corn were from 4 to 12 cents higher than those for wheat, and September futures for wheat were only slightly higher than for corn. The relationship which will prevail between corn and wheat prices this summer, of course, will depend to a considerable extent upon the outturn of the 1937 wheat crop and the prospects for corn production this summer. On the basis of conditions about June 1, winter wheat production was estimated to be above average and considerably larger than that of any year since 1931. Prospects for spring wheat also are fairly favorable.

Even if corn crop prospects are favorable this summer and a fairly large corn crop is harvested this year, large supplies of new crop corn will not be available for feeding until October or November. On the other hand, wheat from the new crop will be available in July. Thus, during the months of July, August and September at least, large supplies of wheat probably will be available when stocks of corn on farms will be about the smallest on record.

Ordinarily wheat sells for a substantially higher price per bushel than corn in the Corn Belt States. The feeding value of a pound of wheat, ground or crushed, is approximately the same as a pound of corn. A bushel of wheat weighs 60 pounds, or 4 pounds more than a bushel of shelled corn; hence, if wheat is the same price per bushel as corn, the larger number of pounds of wheat per bushel usually will more than offset the cost of grinding or crushing wheat.

As shown in the accompanying table, the average price of corn received by farmers on May 15 was higher than, or about the same as, that for wheat in 8 of the 12 North Central States. In Kansas the price of corn was 16 cents per bushel higher than the price of wheat, and in Nebraska and Missouri 10 and 11 cents higher, respectively. If prices of corn continue high in relation to wheat prices, it seems probable that a considerable quantity of wheat will be fed to hogs and other livestock during the late summer and early fall, before the 1937 corn crop is harvested. Under such conditions, wheat feeding probably will be greatest in the Western Corn Belt, where supplies of old corn are very short, being almost nonexistent in some areas.

Corn prices also are high in relation to prices of barley and oats. Should this relationship continue during the summer as now seems likely, the utilization of the new crop of barley and oats for livestock feeding will be above average for that season of the year.

Price per bushel received by farmers for corn and wheat in the
United States and specified States, May 15, 1937

State	Wheat	Corn	State	Wheat	Corn
	Dollars	Dollars		Dollars	Dollars
U. S. average	1.18	1.21	Minn.	1.21	1.15
Ohio	1.25	1.21	Iowa	1.23	1.23
Ind.	1.21	1.21	Mo.	1.26	1.37
Ill.	1.20	1.24	N. Dak.	1.18	1.20
Mich.	1.24	1.21	S. Dak.	1.16	1.17
Wis.	1.30	1.26	Nebr.	1.17	1.27
			Kans.	1.17	1.33

OUTLOOK

If crop conditions continue favorable, it seems probable that hog slaughter during the period from June through September will be considerably smaller than that in the corresponding period of last year. Although storage stocks of hog products were still relatively large on June 1, a considerable decrease in such stocks was reported from May 1 to June 1. The larger storage stocks on hand at the beginning of June are likely to about offset the decrease in hog slaughter in the next 3 or 4 months as compared with a year earlier. And consumer demand for meats probably will be stronger during this period than during the summer months last year. It is expected, therefore, that hog prices this summer will average higher than those of last summer. An advance in prices during the summer to a level higher than that reached in late May is likely, especially if prospects for corn production are favorable.

In previous issues of this report it was stated that marketings of fall pigs this year would be earlier than usual from some areas while in other areas it was indicated that short supplies and high prices of corn would cause many producers to carry 1936 fall pigs on pasture and finish them later on the new crop of small grains and to some extent on new crop corn. The marked decrease in slaughter supplies of hogs during May indicates that both of these developments have occurred.

Although no estimate can be made now of the number of fall pigs that were marketed early and of the number that are being held for later finishing, it seems probable that the number of such pigs which will be marketed this summer is smaller than the number on hand in early June of last year.

If corn crop prospects are favorable this summer the number of sows retained for fall farrow probably will be larger than the number farrowing last fall. This also will tend to reduce hog marketings this summer. Likewise, if crop prospects are favorable, spring pigs will not be marketed in large volume during the late summer, as was the case last year when there was a severe drought.

The official estimate of the 1937 spring pig crop will be released in late June. The hog-corn price ratio has been much below average since last summer, and if producers reacted to this relationship between hog prices and corn prices as they did in other years, the 1937 spring pig crop is smaller than the spring crop of 1936. If corn production this year is about average it seems probable that spring pigs raised this year will be marketed somewhat later in the season than those raised last year, when corn supplies were very short. Under these conditions the proportion of the 1937 spring pig crop marketed before the end of this year will be relatively small. It is possible then, that the seasonal decline in hog prices after next September will be somewhat less than usual.

Hog slaughter may be larger in last half of 1938

Should corn production this year be about average, some increase in the 1937 fall pig crop and a considerable increase in the 1938 spring pig crop probably will occur. These increases in the number of pigs produced would be reflected in materially larger slaughter supplies of hogs after the early spring of 1938. But even with an average corn crop in 1937, it is expected that hog slaughter throughout 1938 will be considerably less than the average of the 5-year period preceding the 1934 drought, although somewhat larger than the 1935-37 average.

Supplies of hogs and hog products, specified periods

						Oct. - Sept.		Oct.-Apr.	
Item	Unit	Apr. 1936	Mar. 1937	Apr. 1937	Average: 1928-29 to 1932-33	1934-35	1935-36	1935-36	1936-37
Inspected slaughter	^{1/} : thou- sands	2,559	3,033	2,810	46,363	30,680	31,022	18,355	24,666
Live weight:									
Average	pound	231	220	217	231	220	232	228	217
Total.....	mil.lb.	591	666	611	10,723	6,742	7,191	4,187	5,322
Dressed weight:									
Average	pound	176	165	164	175	164	175	172	161
Total.....	mil.lb.	449	499	459	8,069	5,012	5,402	3,156	3,955
Yield of lard per 100 pounds live weight of hogs.....	pound	13.1	11.5	11.2	15.2	11.6	12.1	11.8	11.5
Production of lard	mil.lb.	77	77	68	1,630	790	870	495	611
Apparent consumption:									
Pork, incl. lard	" "	424	499	456	7,171	5,102	5,124	2,860	3,400
Lard	" "	61	54	67	961	730	712	399	447
Exports ^{2/} :									
Pork	" "	5	5	5	211	104	69	34	34
Lard	" "	10	7	8	657	142	101	57	57
Imports of pork ^{2/}	" "	3	8	5	6	7	32	14	34
Proportion of sows in inspected slaughter ^{3/}	percent	47.4	48.5	49.3	51.2	51.3	52.0	47.6	49.3

1/ Bureau of Animal Industry.

2/ United States Department of Commerce. Pork includes bacon, hams and shoulders and fresh, canned and pickled pork. Lard includes neutral lard.

3/ Includes gilts.

Prices of hogs and hog products, specified periods

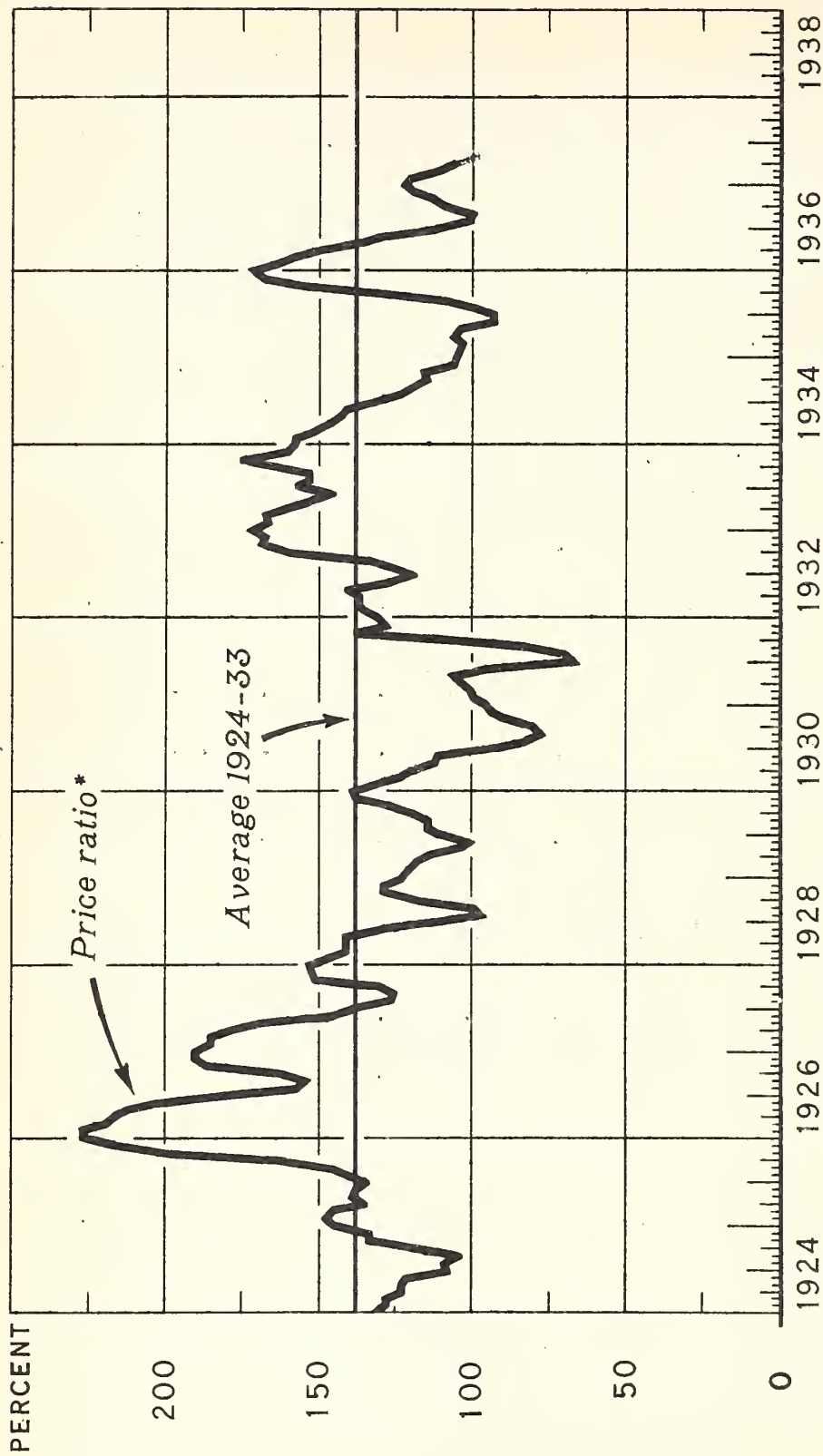
Item	Unit	Oct.- Sept.				Oct.- May			
		Average:							
		May	Apr.	May	1928-29	1934-	1935-	1935-	1936-
		1936	1937	1937	to	35	36	36	37
					1932-33:				
Average price:	dolls.per:								
Seven markets ...	100 lb.	9.36	9.85	10.56	<u>1/</u>	8.18	9.64	9.65	9.81
Chicago	" "	9.58	9.97	10.73	6.99	8.42	9.90	9.90	10.02
U.S. average price	:								
received by farmers:	:	8.59	9.04	9.39	6.48	7.54	9.15	9.03	9.15
Prices of hog pro-	:								
ducts, Chicago:	:								
Loins, 8-12 lb.	" "	20.04	21.56	24.89	17.07	20.08	21.21	20.66	19.85
Hams, smoked, reg.:	:								
No.1, 10-12 lb.	" "	25.25	23.50	24.34	20.31	21.62	26.58	26.66	23.48
Bacon, smoked,	:								
No.1 dry cure,	:								
6-8 lb.	" "	29.34	26.88	27.38	23.71	28.24	30.86	31.53	27.25
Lard, refined,	:								
H.W. tubs	" "	11.12	12.62	12.88	9.68	14.29	12.65	12.89	13.08
Composite wholesale	:								
price of hog	:								
products, New York	" "	20.57	20.49	20.94	17.36	20.49	21.93	22.08	20.58
Average price of	:								
No. 3 Yellow corn,	cents								
Chicago	per bush.	63	135	135	62	86	74	64	116
Hog-corn price	:								
ratio <u>2/</u> :	:								
Chicago	bushel	15.2	7.4	8.0	11.6	9.9	14.1	15.6	8.7
North Central	:								
States	"	16.3	7.6	8.0	12.9	10.0	15.8	17.7	8.9
Proportion of pack-	:								
ing sows in total	:								
packer and shipper	:								
purchases, seven	:								
markets <u>3/</u>	percent	7.0	5.0	9.0	<u>1/</u>	<u>1/</u>	16.0	8.0	6.0
Average weight at	:								
seven markets	pound	242	227	232	<u>1/</u>	229	241	236	220

1/ Not available.

2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.

WHEAT-CORN PRICE RATIO, 1924 TO DATE



* BASED ON AVERAGE PRICES RECEIVED BY FARMERS

U.S. DEPARTMENT OF AGRICULTURE

NEG. 32437

BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 1.- A CONSIDERABLE QUANTITY OF WHEAT MAY BE FED TO HOGS AND OTHER LIVESTOCK THIS YEAR, AS WAS THE CASE IN 1930 AND 1931. WHEAT USUALLY IS THE MOST EXPENSIVE GRAIN, SELLING ON THE AVERAGE AT A SUBSTANTIALLY HIGHER PRICE THAN CORN IN THE CORN BELT STATES. IN MID-MAY, HOWEVER, THE PRICE PER BUSHEL RECEIVED BY FARMERS FOR CORN WAS SLIGHTLY HIGHER THAN THAT FOR WHEAT. SINCE CORN SUPPLIES WILL CONTINUE VERY SMALL UNTIL NEXT FALL, AND WITH NEW CROP WHEAT BECOMING AVAILABLE AFTER JUNE, THE PRICE OF CORN MAY CONTINUE HIGH IN RELATION TO THE PRICE OF WHEAT THROUGHOUT THE SUMMER.